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SUBJECT: Guangzhou's Software Industry: Perspectives from a
Software Park and a Software College

¶1. (U) Summary: The development of Guangdong Province's software
industry has been a key priority in recent years for China's
Ministries of Commerce, Information Industry, and Education, among
others. Guangzhou has emerged as a focal point for the
establishment of the province's leading software parks and schools
of software engineering. Tianhe Software Park, Guangzhou's first
and largest, boasts 1,203 enterprises and was recently designated by
the Ministry of Science and Technology as a "Software Industry
Export and Innovation Base" with a mandate to boost China's
participation in the international software export and out-sourcing
markets. The South China University of Technology School of
Software Engineering ranks 15th out of China's 36 software schools,
and is one of only two such schools in Guangdong. Both the Software
Park and the SCUT Software School maintain extensive ties to leading
Chinese companies as well as multinational companies. End Summary.

Overview of the Software Industry in China
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¶2. (U) According to Zhan Yanzun, Vice President of the China
Software Industry Base, Administrative Commission of Guangzhou,
Tianhe Software Park, the value of the domestic Chinese software
market is between RMB 100 billion to 150 billion (USD 13 - 19.5
billion) per year. Currently, Beijing, Guangdong, and Shanghai are
the top three locations in the country in terms of the size of the
software industry. China's 11th Five-Year Plan (2006-2011) calls
for the development of embedded software, open source software, and
middleware which are key focal points for Guangdong. Zhan also
noted China's interest in pursuing overseas markets. The National
Development and Reform Commission (NDRC) and the Ministry of
Commerce (MOFCOM) encourage domestic software companies to compete
in the international marketplace. The Ministry of Science and
Technology (MOST) and MOFCOM have both recently sent delegations to
North America on market exploration trips. According to Zhan, the
delegation's biggest target market is North America, followed by
Europe, and then Southeast Asia. In the North American market,
Chinese government officials hope to set up representative offices
in San Francisco and New Jersey; they will be responsible for
collecting market information and carrying out marketing functions.

The Making of Guangzhou's Top Software Park
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¶3. (U) Guangzhou Municipality boasts four software parks: the
Guangzhou Software Park, the Guangzhou Tianhe Software Park, the

Nansha District Software Park and the Huanghuagang Information Park.
 The Tianhe Software Park is the largest of the four in terms of
size (it is the largest among all 11 national-level software parks
in China, with a planned area of 12.25 square kilometers) and output
(70 percent of software output in Guangzhou). Established in 1991,
it is also the oldest of the four. In the last 16 years, Tianhe
Software Park has been named "National Hi-tech Zone" by the National
Commission of Science and Technology (or MOST), a "Software Industry
Export and Innovation Base" and "National Industry Base for Online
Games" by the NDRC and the Ministry of Information Industry (MII).
The Tianhe Software Park has 19 branch parks.

¶4. (U) By the end of 2006, according to Qiao Xizhong, Director of
Service Industries at Tianhe Software Park, there were 1,203
enterprises (290 were foreign-invested and the rest were domestic,
largely Guangdong local enterprises) in Tianhe Software Park,
employing about 50,000 persons, with a total annual output of RMB
25.3 billion (USD 3.3 billion). Forty percent of the park's output
came from the telecom and value-added services, 25 percent from
financial services and the remainder from office automation (OA) and
business intelligence (BI).
-- The top three domestic enterprises in the park are Netease, which
had revenues of RMB 2.6 billion (USD 338 million) in 2006,
Digitalchina and Sinobest.
-- Other key enterprises, which have an annual output above RMB 120
million (USD 15.6 million), include ChinaWeal, Excellence, Asinfo,
Chuangxiang, and Keyou.
-- The top three foreign-invested enterprises are Ericsson from
Sweden, and two Hong Kong enterprises.
-- Other key foreign-invested enterprises include Trans Cosmos from
Japan and the RIB Group from Germany, both of which are engaged in
software outsourcing.

¶5. (U) Projects currently underway in the Park include:
-- the Internet Digital Center (IDC), which will house more than
3,000 servers.
-- the Southern R&D Center of China Mobile, which will cost RMB 1.7
billion (USD 221 million) in the first phase with a 490,000 square
meter work area,
-- a four-star hotel and apartment buildings for foreign staff,
namely project managers and technicians from countries such as
India, the United States, Germany, Japan, and Holland.
A road is also being built and this will cut travel time to ten
minutes between the software park and the Eastern Railway Station by
the end of this year.

Encouraging the Growth of the Software Park and Industry
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¶6. (U) Software Park Vice President Zhan noted that MOFCOM granted
the title "Software Exports and Innovation Base" to Guangzhou,
Nanjing, Hangzhou, Jinan and Chengdu in December 2006 to boost
China's participation in the international software market,
especially in software exports and outsourcing. Zhan said 35
enterprises in the park are engaged in software outsourcing, and
that all are members of the park's Software Outsourcing
Association.

¶7. (U) The Guangzhou Municipal Government released "No. 44 document"
in 2006 to attract investors to the software industry. Incentives
offered to enterprises to settle in the park include house rental
subsidies, post-doctoral study subsidies, and income tax
preferential policies for top management members.

Software Park Officials address IPR issues
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¶8. (U) Zhan said that IPR protection has been a focus of both the
Guangzhou and Tianhe District governments alike. He also noted that
the Tianhe Software Park is a member of the Guangzhou IPR Protection
Team, which is headed by Vice Mayor Wang Xiaoling. The Software
Park is involved in drafting and implementing the team's action
plans on IPR protection.

The Human Resources Component of the Park
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¶9. (U) Zhan said Guangzhou's goal is to have 200,000 professionals
in the software and cartoon/animation industries by 2010. Zhan
believed that there is a current shortage of high-end software
professionals in Guangzhou. Enterprises in the park recruit both
new graduates and experienced workers, but company-specific training
is provided to both before they begin work. Most enterprises
conduct training on their own, but Zhan said that enterprises will
likely utilize on on-site training center after completion.
Enterprises in the park last year recruited roughly 1,200 college
gradates from across China, with most coming from Guangdong.
According to Zhan, Sun Yat-sen University and the South China
University of Technology (SCUT) have excellent software schools so
they do not need to look far to recruit qualified graduates.

South China University of Technology
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¶10. (U) South China University of Technology (SCUT) was established
in 1952. In 2003, SCUT ranked the 20th among the 570 universities
in China. SCUT has been named a key university of China by the
Ministry of Education. The university is famous for engineering and
has 29 schools, 67 undergraduate programs, 177 master programs, and
75 doctoral programs. SCUT has a state key laboratory, two national
engineering research centers, one "National Class A" architecture
design and research institute, and four key labs certified by the
Ministry of Education. In 2005, SCUT professors published 2,326
papers in academic journals; in 2006, SCUT applied for and received
207 patents. In 2006, SCUT won more than USD 43 million in funding
from the central and provincial governments.

The Software Engineering College at SCUT
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¶11. (U) China currently has 36 software engineering schools. The
software school at SCUT was established in 2001 by MOE and the

Economy Development Planning Committee; it ranks 15th in China. It
has been named one of the "National Pilot Schools for Software
Engineering". The school includes master's programs for computer
software, theory, and software engineering, and also has an
undergraduate program in software engineering. In 2006, the school
carried out 44 research projects and received RMB 7.78 million (USD
1 million) in government funding. The school was awarded five
patents and registered 18 types of IPR in software. According to
Deng Huifang, dean of the software school, MOE periodically
evaluates the schools' academic and research achievements and
decides if they measure up to established criteria. At present,
Guangdong Province has only two national pilot schools of software
engineering, the other one at Sun Yat-Sen University. With the
pilot school designation, SCUT can charge high tuition fees, which
are about 60 percent higher than other schools.

¶12. (U) SCUT's School of Software Engineering currently has 30
full-time teachers and 46 part-time teachers. Fifteen of the
teachers are from foreign countries. Of the school's 1,475 students
are 1,132 undergraduate and 343 postgraduates. Most of the students
are from Guangdong Province, the ratio of male students to female
students is 6:1. Each year, the school graduates 300 with bachelor
degrees and 200 with a master's degree. Most of the graduates
currently work in IT-related fields. More than 70 per cent of the
graduates are working in private enterprises, and about two percent
are self employed. About 96 percent of SCUT graduates found
employment rate in 2005 and 2006.

Collaborating with Foreign Companies and Institutions
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¶13. (U) The School of Software Engineering of SCUT cooperates
extensively with multinational IT companies such as IBM China Ltd.,
Microsoft Asia Research Center, HP China Ltd., Intel China Ltd.,
Oracle Beijing, BEA, CISCO, and SUN. The school currently has an
IBM mainframe education center, a Linux education training center,

eight labs which work jointly with the companies, three student
innovation studios and one student industrial practice center.
Companies like IBM and Microsoft not only provide funding and
equipment to the research centers, but also work with the centers to
design courses for the students. To keep up with the development of
international software, the school also incorporates courses from
universities like North West University from U.S., York University
from U.K., SAP from Germany, and IIT from India.

Guangdong's Software Exports
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¶14. (U) According to Deng, Guangdong's exports of software products
amounted to USD 1.9 billion in 2005, or 50 percent of the country's
total software industry exports, which stood at USD 3.8 billion.
Shenzhen, Guangzhou and Zhuhai are the top three cities in the
province in terms of software exports. The major overseas markets
for Guangdong are Hong Kong, Japan, Southeast Asia, Taiwan, Europe,
and the U.S. Guangdong currently has 1,181 software companies.
Guangdong has 14 of the top 100 software companies of China; six are
headquartered in Guangzhou, seven in Shenzhen, and one in Zhuhai.
These companies include Guangzhou GaoKe Communications Technology
Co., Ltd., Sinobest, Guangzhou Haige Communications Industry Group
Co. Ltd., and Guangzhou Ziguang North America Science and Technology
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